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UNCLAS SECTION 01 OF 03 MANILA 001608

SIPDIS

SENSITIVE
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FOR EAP A/S HILL FROM AMBASSADOR

E.O. 12958: N/A

TAGS: [PREL](#) [PHUM](#) [PTER](#) [ECON](#) [RP](#)

SUBJECT: SCENESETTER FOR EAP ASSISTANT SECRETARY HILL

¶1. (SBU) Summary. A warm welcome again to the Philippines! As you arrive, the Philippines will still be focused on recent mid-term election for the Senate, House, and provincial positions. Final national results will not be available until as late as June 14. In the counter-terrorism realm, the Armed Forces of the Philippines demonstrated sustained, impressive combat prowess in ongoing operations against Abu Sayyaf and Jemaah Islamiyah terrorists, and remains fully committed to the Defense Reform and Battalion Retraining Programs. The peace process throughout Mindanao, as well as peace talks with the Moro Islamic Liberation Front, are moving forward. The government has undertaken new steps against unlawful killings, but violence and slow justice remain of concern. The economy performed well in 2006, and the U.S. continues to be the Philippines' largest trading partner, with over \$16 billion in two-way merchandise trade. The Philippines has played a welcome leadership role within ASEAN on Burma, North Korea, and counterterrorism.

¶2. (U) While we know how busy you will be with the ASEAN Regional Forum Senior Officials Meeting, we hope to set up a working lunch with top officials handling Mindanao to provide you first-hand insights, and also to arrange brief radio and TV interviews to discuss U.S.-Philippine relations and ASEAN issues. End Summary.

2007 MIDTERM ELECTIONS

¶3. (U) Philippine mid-term elections took place on May 14, but final results will not be available for a few days, or at the national level perhaps as late as June 14. With turnout rates of about 75 percent, the enthusiasm of Philippine voters was palpable, and the dedication of electoral workers and more than one million volunteers was a tribute to the determination of the Philippine people to ensure the freest and fairest elections possible. However, election-related violence left an estimated 126 dead, including police and soldiers. There is widespread concern that cheating will escalate during the canvassing process.

¶4. (SBU) U.S. interests remain focused on the success of democratic processes. The outcome of the elections will not in any meaningful way affect our close ties and cooperation with the government, which will remain pro-American and anti-terrorism. A top concern for the Arroyo Administration is to ensure sufficient Congressional seats to block future impeachment motions against President Gloria Macapagal Arroyo, especially since opposition forces will likely dominate the new Senate. President Arroyo's allies are hoping election of new pro-Administration "party list" representatives will not only help protect her against impeachment but will also serve as leverage against possible challenges within her coalition related to charter change

that could limit her powers or term of office.

INCREASED COMBAT PROWESS AND COMMITMENT TO DEFENSE REFORM

15. (SBU) With U.S. support, the Armed Forces of the Philippines (AFP) has demonstrated sustained, impressive combat prowess in its ongoing counterterrorism operations, notably now on the southern island of Jolo. Improved operational readiness rates for aircraft and vessels, casualty treatment, night helicopter medical evacuations, and tactical field skills are directly attributable to U.S. training, advice, and assistance. Successful operations by AFP troops -- including soldiers, Marines, airmen, and sailors -- against Abu Sayyaf and Jemaah Islamiyah terrorists since August 1, 2006 led to the deaths in military operations of Khadaffy Janjalani and Abu Solaiman, the top two leaders of the Abu Sayyaf Group, and kept Jemaah Islamiyah terrorists on the run. We plan to pay out US\$10 million from the Rewards for Justice program in early June.

16. (SBU) The Philippine Defense Reform Program is transforming the Philippine military into a more transparent, accountable, and effective institution. This U.S.-supported effort aims at a complete restructuring of the military establishment ranging from personnel management and logistics to acquisition and training. With the advice of the Joint U.S. Military Assistance Group and a 13-member team of U.S. experts, the AFP and Department of National Defense have already registered significant gains. U.S. Special Force troops are helping jump-start the newly begun Battalion Retraining Program, which will retrain all 72 Army and 12 Marine battalions.

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MILF PEACE PROCESS

17. (SBU) Exploratory talks between the Philippine Government and the Moro Islamic Liberation Front (MILF) should resume soon in Kuala Lumpur now that the May 14 midterm elections are over. Territory for a prospective "Bangsamoro Juridical Entity" remains the key issue in the negotiations. The MILF appears to be more flexible regarding the territorial boundaries of a new Muslim political entity. The government's plan is for a transitional council -- including the MILF, Moro National Liberation Front (MNLF), and Muslim political leaders -- to take the place of 2008 elections in the existing Autonomous Region in Muslim Mindanao and to define Muslim self-determination in the next entity.

18. (SBU) The enabling legislation and plebiscite to create this "Bangsamoro Juridical Entity" will hinge upon majority support from the new Congress. Members of both peace panels are concerned about potential "spoilers" -- powerful business families, traditional politicians, extremist insurgent commanders, and/or "hawkish" elements in the Philippine military -- to a peace accord, and a likely opposition-dominated new Senate will further complicate the political game plan. We have intensified our dialogue with all parties, and will soon increase our contacts with local officials now that elections are over. Durable peace would be good for the Philippines, and crucial to denying terrorists' sanctuary.

URGING ACTION AGAINST UNLAWFUL KILLINGS

19. (SBU) We continue our strenuous efforts at all levels to reign in unlawful killings of leftists, journalists, and more mainstream politicians. We are concerned about such killings, whoever is responsible, but particularly about

allegations that members of the security forces may be responsible for some. I and the country team have discussed this extensively with President Arroyo and her Cabinet, who assure us of their commitment to bring those responsible to justice. Unlawful killings, especially outside major cities, is a historical problem in the Philippines related to a weak judiciary. We take very seriously our vetting responsibilities under the Leahy Amendment for all Philippine security officials receiving USG-funded training.

¶10. (U) President Arroyo has taken several steps to address this problem, including a police task force to investigate the killings and to file charges, specially designated courts to handle these cases, a rejuvenated Presidential Human Rights Commission, a new Armed Forces Human Rights office to investigate allegations, and additional funding for the Commission on Human Rights. The Embassy in early May organized a ground-breaking seminar that brought together Philippine police and prosecutors to build patterns of coordination in preparing successful cases and to provide training by U.S. experts from the FBI, Department of Justice, and the U.S. military. We have requested additional USG funding for the Philippine Commission on Human Rights and assistance by U.S. experts to the Armed Forces Human Rights Office.

ECONOMICS AND TRADE

¶11. (U) The U.S. remains the Philippines largest trading partner, with over US\$16 billion in two-way merchandise trade. Major U.S. exports include electronics and agriculture. Texas Instruments recently announced its decision to invest US\$1 billion for the construction of new facilities to produce microchips at the former Clark Airbase. The U.S. is also the largest investor here, with over US\$6 billion in assets. The large American Chamber of Commerce in Manila is proud of its history as the first American Chamber of Commerce abroad.

¶12. (U) The Philippine economy performed well in 2006. Growth hit an estimated 5.5 percent, while inflation slowed to only 4.7 percent. Both the stock market and the peso ended the year at the highest levels in recent years. The economy was bolstered by a 15 percent increase in remittances by overseas workers, a recovery in exports, and sensible fiscal policies, which have brought the budget deficit under control. The Millennium Challenge Corporation administers a

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US\$21 million Threshold Program through USAID, focusing on anti-corruption and revenue enhancement. The U.S. assists in economic development, anti-corruption, environmental protection, and poverty alleviation through our policy advocacy and an active USAID, USDA, and Peace Corps presence throughout the country.

ASEAN LEADERSHIP

¶13. (U) President Arroyo hosted a successful series of ASEAN-related summits in January 2007, using her various chairman's statements to articulate welcome forward-leaning positions on Burma and North Korea. She also ensured the adoption of a new ASEAN Convention on Counterterrorism that will enhance -- or, in many cases, create -- new patterns of regional cooperation against terrorist networks.

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